



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

May 15, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **AIDS SERVICE CENTER – A DEPARTMENT OF PUBLIC HEALTH
DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT
COMPLIANCE REVIEW**

We completed a contract compliance review of AIDS Service Center (ASC or Agency), which included a sample of transactions from Contract Year (CY) 2011-12. The Department of Public Health Division of HIV and STD Programs (DHSP) contracted with ASC to provide Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services such as mental health psychotherapy, home-based care, and case management. ASC's contracts with DHSP ended June 30, 2012 and the Agency ceased operations on February 28, 2015.

We performed our review in Fiscal Year 2013-14 to determine whether ASC provided the services outlined in their County contracts and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

Per DHSP's request, we reviewed all three contracts between DHSP and ASC. DHSP paid ASC approximately \$1.1 million on a cost-reimbursement basis, which covered various contract months from March 2011 to June 2012. ASC provided services to clients residing in the Fifth Supervisorial District.

Results of Review

ASC deposited DHSP cash receipts timely, and prepared their Cost Allocation Plan in compliance with their County contracts. However, the Agency billed DHSP \$11,706 in questioned costs. Specifically, ASC inappropriately billed \$10,585 for unsupported shared operating expenditures and employee benefits. ASC also inappropriately billed \$1,121 for unallowable case management services provided to non-Ryan White clients. In addition, the Agency did not maintain adequate internal controls over cash or prepare Cost Reports that reconciled to their accounting records.

Details of our review are attached. However, since ASC ceased operations in February 2015, we do not have any recommendations.

Review of Report

We discussed our report with DHSP and they indicated that they will attempt to contact ASC management to resolve the questioned costs or refer the questioned costs to the Treasurer and Tax Collector. We thank ASC management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:ku

Attachment

c: Sachi A. Hamai, Interim Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Anthony Guthmiller, former Executive Director, AIDS Service Center
Public Information Office
Audit Committee

**AIDS SERVICE CENTER
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEAR 2011-12**

CASH/REVENUE

Objective

Determine whether AIDS Service Center (ASC or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed ASC management, and reviewed their financial records and two bank reconciliations for one bank account.

Results

ASC properly recorded revenue in their financial records, and deposited the Department of Public Health Division of HIV and STD Programs (DHSP) cash receipts timely. Additionally, Agency management reviewed and approved bank reconciliations. However, ASC did not ensure the preparer signed bank reconciliations, and did not obtain two authorized signatures on checks as required. Since the Agency ceased to operate in February 2015, we do not have any recommendations.

EXPENDITURES/COST ALLOCATION PLAN

Objective

Determine whether ASC's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DHSP were properly documented, accurately billed, and in compliance with Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

Verification

We interviewed Agency personnel and reviewed ASC's Plan. We also reviewed their financial records for 11 non-payroll expenditures, totaling \$24,077, that the Agency charged to DHSP from August 2011 to June 2012.

Results

ASC prepared their Plan in compliance with their County contracts. However, the Agency billed DHSP \$10,054 in questioned costs. Specifically, ASC billed:

- \$8,933 for rent and other space related shared expenditures that were not supported by adequate documentation, such as a lease agreement and a Full Time Equivalent employee listing to support allocations.
- \$1,121 for unallowable case management services provided to non-Ryan White clients.

Since the Agency ceased to operate in February 2015, we do not have any recommendations.

PAYROLL AND PERSONNEL

Objective

Determine whether ASC appropriately charged payroll costs to DHSP, and maintained personnel files as required.

Verification

We compared the payroll costs for 11 employees, totaling \$39,915 from February 2012 to June 2012, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the same 11 employees.

Results

ASC maintained personnel files as required. However, ASC did not provide documentation such as allocation schedules to support \$1,652 in employee benefit expenditures. Since the Agency ceased to operate in February 2015, we do not have any recommendations.

COST REPORTS

Objective

Determine whether ASC's Contract Year (CY) 2011-12 Cost Reports reconciled to their financial records.

Verification

We compared the Agency's CY 2011-12 Cost Reports to their financial records.

Results

ASC's CY 2011-12 Cost Reports did not reconcile to their financial records. Specifically, the Agency's financial records supported more than what was reported on their Cost Reports by \$2,372. Since the Agency ceased to operate in February 2015, we do not have any recommendations.